

The People of the State of Illinois'
Responses to Illinois American Water Company's First Set of Data Requests
ICC Docket 16-0093
Directed to AG Witness David J. Effron
Date of Data Request: May 27, 2016
Date of Response: June 3, 2016

IAW-AG 1.06 Does Mr. Effron agree that IAWC should compensate its employees at compensation levels that are consistent with the compensation levels for comparable positions in the market? If the response is anything other than an unqualified yes, please explain the basis for the response and provide all Documents that support the response.

RESPONSE:

Mr. Effron does not have a position on how IAWC should compensate its employees.

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IAW-AG 1.07 Is it Mr. Effron's position that IAWC's employees are over-compensated? If the response is anything other than an unqualified no, please explain the basis for the response and provide all Documents that support the response.

RESPONSE:

Mr. Effron does not have a position on whether IAWC employees are over-compensated.

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IAW-AG 1.08 Does Mr. Effron agree that, all else equal, customers receive a tangible benefit when a utility reduces its operating expenses? If the response is anything other than an unqualified yes, please explain the basis for the response and provide all Documents that support the response.

RESPONSE:

Yes, to the extent that the reductions in expenses do not compromise the ability to provide safe, reliable, and least-cost service.

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IAW-AG 1.09 Is it Mr. Effron's position that IAWC employees should receive compensation only in the form of base pay? If the response is anything other than an unqualified no, please explain the basis for the response and provide all Documents that support the response.

RESPONSE:

No.

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IAW-AG 1.10 Is it Mr. Effron's position that IAWC should not purchase support services from third-parties who compensate their employees with incentive pay based on financial performance? Please explain the basis for the response and provide all Documents that support the response.

RESPONSE:

No.

ICC DOCKET NO 16-0093
OFFICE OF THE ILLINOIS ATTORNEY GENERAL'S
DATA REQUEST RESPONSE TO ILLINOIS AMERICA WATER COMPANY'S
THIRD SET OF REQUESTS DIRECTED TO MR. SCOTT J. RUBIN
DATE OF REQUEST: JULY 13, 2016
DATE OF RESPONSE: JULY 15, 2016

IAWC-AG 3.01 At lines 125-126 of his Rebuttal Testimony, Mr. Rubin states, “paying customers actually ‘cause’ a very small amount of these costs.” With respect to that statement:

- a) List each cost to which Mr. Rubin refers in “these costs”;
- b) For each cost, state the “amount” of the cost Mr. Rubin believes is “cause[d]” by paying customers; and
- c) For each cost, explain how “paying customers actually cause” the cost.

RESPONSE:

- a) The costs Mr. Rubin refers to are collections costs and uncollectible account expenses.
- b) Mr. Rubin does not have sufficient data to quantify the amount, if any, of collections costs that might be caused by paying customers. Typically, a portion of collections costs that are caused by paying customers would be recovered, in whole or in part, through separate fees (such as returned check charges and late payment fees).
- c) Paying customers do not cause any uncollectible accounts expense. Paying customers may cause some collections costs. Typically collections costs may be incurred for customers who pay their bills late, pay with a returned check, pay after a bankruptcy filing, or make only partial payments on their bills.

ICC DOCKET NO 16-0093
OFFICE OF THE ILLINOIS ATTORNEY GENERAL'S
DATA REQUEST RESPONSE TO
ILLINOIS AMERICA WATER COMPANY'S
FIFTH SET OF REQUESTS
DIRECTED TO MR. DAVE EFFRON
DATE OF REQUEST: JULY 22, 2016
DATE OF RESPONSE: JULY 25, 2016

IAWC-AG 5.01 Would Mr. Effron accept Staff witness Kahle's performance pay cost adjustment corrected for payroll taxes as explained in the surrebuttal testimony of IAWC witness Kerckhove (IAWC Ex. 4.00SR), given the surrebuttal testimony of IAWC witness Watkins (IAWC Ex. 7.00SR) accepting, for the purposes of this proceeding, Staff witness Kahle's performance pay cost adjustment subject to that correction?

RESPONSE:

No. Mr. Effron understands Mr. Kahle's Schedule 11.07 (which is discussed in the surrebuttal testimony of Mr. Kerckhove in IAWC Exhibit 4.00SR at page 6 and Mr. Watkins in IAWC Exhibit 7.00SR at page 10) to be a 50% disallowance of IAWC's Annual Performance Plan ("APP"). IAWC accepts Mr. Kahle's adjustment in the referenced surrebuttal testimony. However, for the reasons discussed in his direct and rebuttal testimony, Mr. Effron maintains that there should be a 100% disallowance of the APP.

Mr. Effron understands the Company to have accepted Mr. Kahle's adjustment as shown on Staff Schedule 11.07 except for a change in the payroll tax amount. However, because the Company did not reflect the acceptance of the adjustment in its surrebuttal revenue requirement schedules, Mr. Effron understands the differences between his current position and the Company surrebuttal position to be as follows:

			Adjusted Staff Sch 11.07	Remaining Contested
		<u>Total</u>	<u>Adjustment</u>	<u>Amounts</u>
1	APP - Company	\$ 1,206,180	\$ (603,090)	\$ 603,090
2	APP - Service Co	52,716	(26,358)	26,358
3	Payroll Taxes - FICA	<u>96,306</u>	<u>(48,153)</u>	<u>48,153</u>
4	Total APP	1,355,202	(677,601)	677,601
5	LTPP	163,850	(163,850)	-
6	Payroll Taxes - FICA	12,535	(12,535)	-
				-
7	Depreciation Expense	<u>34,128</u>	<u>(34,128)</u>	<u>-</u>
8	Total Operating Expenses	<u>\$ 1,565,714</u>	<u>\$ (888,113)</u>	<u>\$ 677,601</u>
	<u>Capitalized APP - Service Co</u>			
9	Plant in Service		\$ (997,106)	\$ -
10	Accumulated Depreciation		104,119	-
11	ADIT - State		378	-
12	ADIT - Federal		<u>2,506</u>	<u>-</u>
13	Total Impact on Rate Base		<u>\$ (890,103)</u>	<u>\$ -</u>